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SUBJECT: MATSU MEETS THE 21ST CENTURY: "MINI THREE LINKS"
NOT LIVING UP TO EXPECTATIONS IN FORMER COLD WAR OUTPOST

1.(SBU) Summary: The "mini three links" intended to connect Taiwan's offshore islands with the PRC through direct travel, mail and trade links, have thus far had limited effect in bolstering the slumping economy of the Matsu island chain. With the downsizing of the military presence on Matsu, the islands have shifted their focus to tourism as a major source of income. Although there are still several thousand soldiers on Matsu, the military's reduced presence has contributed to the isolated outpost's economic woes. The "mini-links" have so far failed to generate the large-scale tourism from the PRC that many had hoped for. Residents of the PRC make up a small fraction of total visitors to Matsu, and most visitors come on official business, rather than as tourists. In an effort to revive its economy and attract more mainland visitors, Matsu is currently running a campaign to encourage tourism. End summary.

12. (SBU) Matsu is a collection of 36 small islands off the coast of mainland China and to the northwest of Taiwan. Old fishing villages and pristine beaches stand side by side with military installations, and the pace of life is much slower than in the bustling metropolises of Taiwan proper. On the front line during the Cold War conflict, Matsu played an integral role in the two Taiwan Strait crises of the 1950s, and Matsu (which at its closest is only 10km away from the mainland) and the PRC continued to bombard each other with shells containing propaganda on alternating days up until the second half of the 1970s. Especially noteworthy are the miles of underground tunnels hewed into the rock that were used to store boats and armaments during the Cold War, but many of which are now open to the public for tourism. The combination of military facilities, folk culture and beautiful landscapes make for an attractive tourist destination.

13. (SBU) Based on conversations with military leaders and the head of Nangan Airport in Matsu during a recent visit, approximately 80% of the visitors to Matsu come from Taiwan, which offers 8 scheduled commercial flights a day to Matsu. Taiwan allows long-time residents of Matsu and businessmen with special permits to visit the mainland. As a result, many of the visitors to Matsu are Taiwan business people who own factories or do business on the mainland. These business people change their formal residences to Matsu in order to have easier access to the mainland through the mini-links, but most use Matsu as a stopping point and do not contribute much to the local economy. Despite the proximity of Matsu to the mainland, very few tourists come from the PRC due to the expense of visiting Matsu and the difficulty of getting the necessary documents, mainly due to PRC and ROC restrictions. As a result, Matsu's tourism industry has not

lived up to expectations.

¶4. (SBU) Matsu has attempted to remedy this situation through an extensive publicity campaign to promote tourism and its local fiery liquor "gaoliang" (which residents claim is just as good as, if not better than, the more well-known "gaoliang" of Kinmen). Matsu's National Scenic Area Administration has been working hard since its inception in 1999 to preserve the ecology and folk culture of Matsu and to promote tourism. The Administration especially promotes former military establishments and tunnels that are now open to public, as well as eco-tourism to visit nature preserves and spot elusive terns, which migrate to the islands in the summer. Although these campaigns have had some success, Matsu has a long way to go in order to fulfill its hopes of becoming a major tourist destination.

¶5. (SBU) Matsu has been largely unable to capitalize on its "mini three links" status to bring in tourism, partly because of the difficulties and expenses for tourists from the PRC. This does not bode well for the future, because the possibility of increased links between Taiwan and the mainland would likely result in PRC tourists bypassing Matsu completely in order to visit Taiwan proper. Thus, Matsu must work hard to promote itself as a tourist-friendly location with a rich history and culture and beautiful landscapes. If Matsu cannot take advantage of such opportunities now, it may have greater difficulty doing so in the future.

¶6. (SBU) Matsu evokes images of the Cold War, and there are reminders of the military legacy throughout the islands, which even today remain a front line for any possible future military conflict with Beijing. However, the dwindling population of about 10,000 on this 36 island chain

TAIPEI 00001621 002 OF 002

just miles off the PRC coastline is struggling to define a new strategy of survival, even as many young residents are moving to "the big island" of Taiwan or crossing over into China to try their luck at business there. If Matsu is to prosper, it will need (with central government help) to come up with new strategies to build on its tourist attractions.
YOUNG